

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Plaza 103, LLC,**  
Petitioner-Appellant,

v.

**City of Cedar Rapids Board of Review,**  
Respondent-Appellee.

**ORDER**

**Docket No. 11-101-0437**  
**Parcel No. 11341-04013-00000**

On August 13, 2012, the above captioned appeal came on for hearing before the Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2) and Iowa Administrative Code rules 701-71.21(1) et al. The Appellant Plaza 103, LLC was represented by James H. Smith, an owner. City Attorney Jim Flitz is counsel for the City of Cedar Rapids Board of Review. Deputy Assessor Thomas Lee represented the Board of Review at hearing. The Appeal Board having reviewed the record, heard the testimony, and being fully advised, finds:

***Findings of Fact***

Plaza 103, LLC (Plaza) is the owner of a commercial property located at 7037 C Avenue NE, Cedar Rapids, Iowa. The property is a one-story steel frame, brick and decorative concrete block shopping center built in 2003. It has 5045 square feet of gross building area. The property has four units in addition to a common area. Three units have tenants and one is vacant. The site is 0.670 acres.

Plaza protested to the City of Cedar Rapids Board of Review regarding the 2011 assessment of \$577,466, which was allocated as \$115,776 in land value and \$461,670 in improvement value. It claimed the assessment was not equitable as compared with the assessments of other like property under Iowa Code section 441.37(1)(a). It requested the Board of Review to lower the value “to at least \$500,000.”

The Board of Review denied the protest.

Plaza then appealed to this Board reasserting its claim.

On its protest to the Board of Review, Plaza attached a spreadsheet of “six like properties,” all located within three miles of the subject property. It resubmitted this information to this Board as Exhibit 5.

Address	Per Day Traffic	GBA	Improvement AV	Building AV/SF	Buildings compared to Subject	Total AV	Total AV/SF	Total
<b>Subject</b>	<b>12,645</b>	<b>5,045</b>	<b>\$461,760</b>	<b>\$91.53*</b>		<b>\$577,466</b>	<b>\$114.46</b>	
588 Boyson Rd	13,757	14,964	\$1,339,277	\$95.91*	104.8%*	\$1,623,317	\$116.25*	101.6%*
576 Boyson Rd	13,757	14,861	\$830,443	\$55.88	61.1%	\$1,065,883	\$71.72	62.7%
294 Blairsferry Rd	27,191	10,920	\$886,889	\$81.22	88.7%*	\$1,145,009	\$104.85	91.6%
124 Collins Rd	21,956	6,242	\$432,007	\$69.21	75.6%	\$678,724	\$108.74	95.0%
560 Boyson Rd	13,757	6,000	\$511,005	\$85.17*	93.1%	\$605,015	\$100.84	88.1%
1100 Blairsferry Rd	27,191	33,492	\$2,640,045	\$78.83	86.1%	\$3,342,261	\$99.79	- 87.2%
Average of properties as compared to subject					84.9%*			87.7%*

There were some mathematical errors in Plaza’s spreadsheet. The above spreadsheet above reflects the corrected calculations, as well as the corrected average. An asterisk identifies where mathematical corrections were required. Based on this analysis, Plaza asserts that to be equitable to other similar properties in the area, its property assessment should be 84.9% to 87.5% of its current assessment, which is between \$490,269 and \$506,438.

Property owner, James Smith testified on Plaza’s behalf. He believes that larger buildings have lower common area maintenance (CAM) costs than smaller buildings, which directly results in lower overhead costs for an income analysis. To support this position, Smith submitted Exhibit 4 that outlines five properties in Plaza’s taxing district. Admittedly, Smith notes “the first four buildings are much larger buildings and in better locations.” These four properties are located at 4701 1st Avenue NE,<sup>1</sup> 4828 1st Avenue NE, 1100 Blairsferry Road, and 130 Collins Road. The Collins Road property is 7500

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<sup>1</sup> Smith identifies this address as “one building in a larger complex.”



square feet in building size while the other properties range from roughly 28,500 to 43,500 square feet in building size. The fifth building is located at 576 Boyson Road and was also used in Plaza's Exhibit 5 comparable analysis. It appears the purpose of Exhibit 5 was to demonstrate that larger buildings tend to have lower CAM costs and lower assessed values per square foot. We agree this is typically the case and follows the theory of decreasing returns. This is why consideration of similar size buildings is important in an equity analysis.

We also note that three of the properties in Exhibit 4 were sales. However, two of the sales occurred in 2006 and 2008; therefore, we do not consider them reliable to determine an equity ratio analysis. The third sale is of 576 Boyson Road. It sold in 2011 for \$107.00 per square foot. This property, however, has almost 15,000 square feet in building size compared to the subject's building size of 5,045 square feet. Because it is almost three times larger than the subject property, we do not consider it a reliable equity comparable.

Smith also believes that the subject property is competing directly with the larger strip malls, because they are divided into smaller units that, individually, are comparable to his property. However, we note that while the Plaza believes it is competing with the smaller units within a larger strip mall, those units are part of the larger building assessment; they are not individual assessments of similar size properties. As a result, they are not considered similar for an equity analysis. Ultimately, Smith testified that the subject assessment is "likely" at market value. However, he does not believe Plaza's assessment is equitable compared to other buildings assessments.

We understand the Plaza's frustration and recognize that it directly competes with smaller rental units in larger buildings. However, for an equity analysis, the entire property's assessment must be compared; and, it is common for larger properties to have a lower cost or assessed value per square foot than smaller properties. Although we recognize larger properties may have some similar size rental

units that are comparable to the subject property, it is the *total* building size that must be similar to Plaza's total building size to determine comparability.

The Board of Review did not consider the five original properties selected by the Plaza to be reasonably similar. It believes a majority of the properties are either much older, much larger, or have other dissimilarities such as different land to building ratio and yard items. We agree.

The Board of Review submitted three properties for equity comparison. They are located at 540 Boyson Road NE, 2805 Blairsferry Road NE, and 560 Boyson Road NE. It notes that the property located at 560 Boyson Road NE, which was also considered by the Plaza, does not have any paving attributed to the property as it is located in a condominium with the paving part of the general common elements of the complex. The Board of Reviews comparisons are as follows:

Address	Land AV	Improv. AV	Total AV	Improv. AV/SF	L:B Ratio	Site Size	GBA	Year Built Depreciation	Paving
<b>Subject</b>	<b>\$115,776</b>	<b>\$461,760</b>	<b>\$577,446</b>	<b>\$92</b>	<b>6:1</b>	<b>29,185</b>	<b>5,045</b>	<b>2003/6%</b>	<b>22,000</b>
540 Boyson Rd NE	\$104,427	\$424,194	\$528,621	\$96	5:1	24,173	4,401	2002/7%	8000
2805 Blairsferry Rd NE	\$298,710	\$524,447	\$823,157	\$91	6:1	33,401	5,790	2006/3%	17,000
560 Boyson Rd NE	\$93,960	\$511,055	\$605,015	\$85	6:1	35,889	6,000	2005/4%	0 <sup>2</sup>

The Board or Review believes these properties have similar land to building ratio, are more similar in site and building sizes, and have similar depreciation. It further asserts that the narrower search for comparable assessments results in a similar range of assessments and demonstrates that the subject property is equitably assessed. We agree that the properties considered by the Board of Review for equity analysis are the most similar properties in the record to the subject property and suggest the subject property is equitably assessed.

Based on the foregoing, we find there is insufficient evidence to demonstrate the subject property is inequitably assessed.

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<sup>2</sup> This property is a condominium and the paving is considered within the general common elements.



### *Conclusions of Law*

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available, "other factors" may be considered in arriving at market value. § 441.21(2). The assessed value of the property "shall be one hundred percent of its actual value." § 441.21(1)(a).

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, a taxpayer may show the property

is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shriver*, 257 Iowa 575, 133 N.W.2d 709 (1965). The six criteria include evidence showing


“(1) that there are several other properties within a reasonable area similar and comparable . . . (2) the amount of the assessments on those properties, (3) the actual value of the comparable properties, (4) the actual value of the [subject] property, (5) the assessment complained of, and (6) that by a comparison [the] property is assessed at a higher proportion of its actual value than the ratio existing between the assessed and the actual valuations of the similar and comparable properties, thus creating a discrimination.”

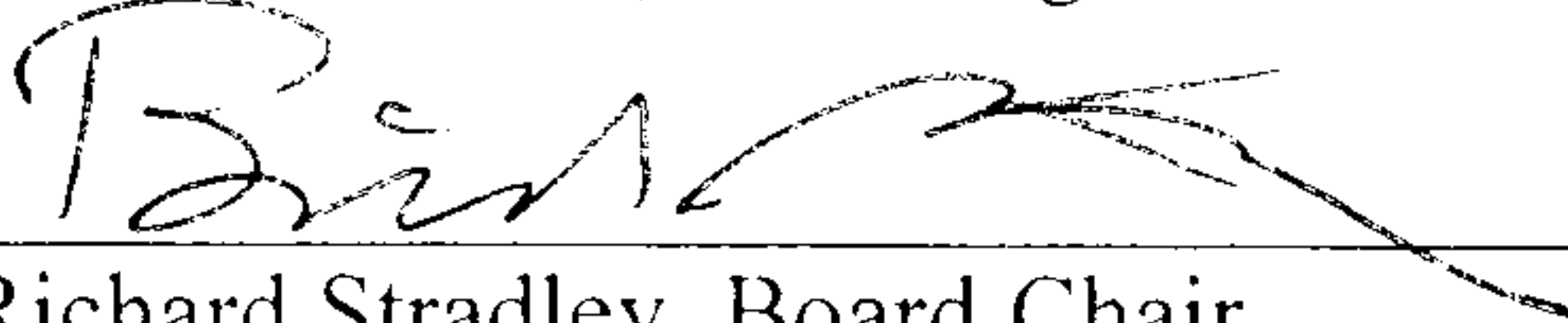
*Id.* at 579-580. The gist of this test is the ratio difference between assessment and market value, even though Iowa law now requires assessments to be 100% of market value. § 441.21(1).

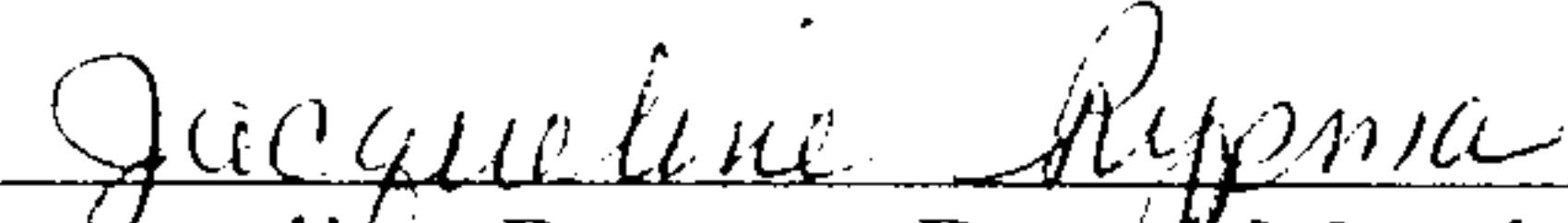
Plaza provided properties it considered comparable for equity analysis. However, the properties are not similar to the subject property primarily due to differences in size, age, and other elements such as land to building ratio and yard elements.

THE APPEAL BOARD ORDERS the assessment of the Plaza 103, LLC’s property located at 7037 C Avenue NE, Cedar Rapids, Iowa, of \$577,466, as of January 1, 2011, set by the City of Cedar Rapids Board of Review, is affirmed.

Dated this 25 day of September, 2012.

  
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Karen Oberman, Presiding Officer

  
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Richard Stradley, Board Chair

  
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Jacqueline Rypma, Board Member

Cc:

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APPELLANT

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Certificate of Service	
The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on <u>9-25</u> , 2012	
By:	<input checked="" type="checkbox"/> U.S. Mail <input type="checkbox"/> FAX
	<input type="checkbox"/> Hand Delivered <input type="checkbox"/> Overnight Courier
	<input type="checkbox"/> Certified Mail <input type="checkbox"/> Other
Signature	